



NATIONAL COUNCIL ON AGRICULTURAL LIFE  
AND LABOR RESEARCH FUND, INC.  
*"First in housing services, because we care."*

July 13, 2007

Branch Chief  
Regulations and Paperwork Management Branch  
United States Department of Agriculture  
STOP 0742  
1400 Independence Avenue, SW  
Washington, DC 20250-0742

Re: RIN No. 0575-AC20

Dear Sir or Madam:

The National Council on Agricultural Life and Labor Research Fund, Inc., known as NCALL, is pleased to have the opportunity to submit the following comments to the United States Department of Agriculture regarding the proposed rule for the Rural Development Section 523 program, Streamlining of the Section 523 Mutual and Self-Help Housing Program.

NCALL is a regional nonprofit organization based in Dover, Delaware that provides intermediary technical assistance services to nonprofit housing organizations and direct housing services to lower income households. A 31 year history of providing affordable housing services throughout the Delmarva Peninsula; a 24 year history specifically providing Regional Self-Help Technical and Management Assistance Services to 21 states in the northeast as a contractor of USDA; and a Self-Help Team with more than 80 years of self-help experience; uniquely qualifies NCALL to provide these comments.

As an organization, NCALL has a rural focus and has successfully utilized and leveraged Rural Development's housing programs such as 523 self-help, 502 homeownership, 504 home repair, 515 rural rental, and 514-516 farm labor housing. Whether it be development services creating 45 multi-family apartment communities, homeownership counseling resulting in 6,000 first-time homebuyers; packaging of more than 700 RD 502 homeownership loans; or helping to successfully grow the self-help housing program in this difficult region, NCALL can point to successes in both volume and quality.

As a primary stakeholder within the self-help housing program, and a Contracting partner with USDA, we appreciate the efforts that went into publishing the proposed rule, and offer comments solely with the spirit and purpose of making this program the absolute best that it can be.

Some factors that should be taken into consideration regarding the big picture of self-help housing which conclude a bright future:

- There has been a growing demand for the program over the past decade.
- Self-help housing remains a viable and attractive means for low and very low-income households to become homeowners.
- The program is popular within rural communities and among lawmakers.
- At the same time self-help housing remains a difficult and complicated program combining operations, families, land, construction, sweat equity, and home financing.
- There is a regular ebb and flow of grantees moving into and out of the program.
- Predevelopment grants have helped stimulate growth and capacity of the program.
- Funding for the 523 program has grown substantially over the past two decades.
- There is an on-going need for training, technical assistance, and consistency among grantees at all levels of capacity and tenure to assure a successful national program.
- With consolidation of Rural Development offices and reduction of experienced housing personnel, the roles of the Technical and Management Assistance Contractor become even more critical and necessary.

Sincerely,

*Joe Myer*

Joe L. Myer  
Executive Director

## 7 CFR Part 3551

### RIN 0575–AC20

## Streamlining of the Section 523 Mutual and Self-Help Housing Program

### Enhancements to Improve the Programs Success

**(j) *Rehabilitation Projects:*** While there has been little demand for self-help rehabilitation, we think the ability for Rural Development to review and approve such projects on a limited basis should be maintained. We recommend that Self-Help Rehabilitation Projects remain an eligible activity for the occasional and unique program.

### Subpart A—General

#### § 3551.1 Applicability.

This will be the only time the public will have to comment on these proposed regulations. At the time the final rule is published the handbook that provides procedures and guidance will also be published. We request that selected partners and users of the program be allowed to comment and have input into the handbook prior to publishing.

#### § 3551.2 Purpose.

The proposed rule uses several names for the T&MA Contractor function including providers, consultants, and agents. “T&MA Contractor” title and terminology should be used consistently in all cases as identified throughout these comments.

Under the proposed rule, Rural Development may grant or contract funds for T&MA services. Only “contract” funds should be listed so as to distinguish and clarify the T&MA contract function from the technical assistance grant function.

3551.2 Purpose – NCALL recommends the wording changes and additions of the following items:

(c) Contract funds to Technical and Management Assistance Contractors for the following services:

- (1) Prepare and disseminate information about the Mutual Self-Help Housing Program;
- (2) Provide technical assistance and training to prospective organizations with their organizational and grant application efforts;
- (3) Provide technical assistance and training to grantees for planning and development of their technical assistance grant application efforts;
- (4) Provide technical assistance and training to grantees in achieving the goals of the Mutual Self-Help Housing Program;
- (5) Provide assistance to Rural Development in technical reviews of predevelopment grant and technical assistance grant applications, monitoring and reporting program status and grantee performance, and performing other financial, management, and administrative responsibilities as defined by the T&MA Contract;
- (6) Prepare training material and conduct comprehensive training to develop self-help capacity and advance the overall Self-Help Housing Program.

As the Mutual Self-Help Housing Program potentially moves to a competitive NOFA process, we believe it is important that because of our role in providing technical assistance, T&MA Contractors should not be involved in scoring, ranking or funding award decisions.

T & MA Contractors can play a significant role in the technical assistance and training to organizations to assure eligibility requirements are met and to ensure applications are complete, thereby reflecting a self-help program that is well thought out and implements best practices.

### **§ 3551.3 Standards of conduct.**

(c)(2) We recommend that wording “with the exception of Board Travel reimbursement as reflected in 3551.52 (b)(7)” be added to prevent confusion.

(d) (3) It is not clear if this charge to the families is for buying or renting of small tools. We don’t see the purpose of how this change benefits the families. The families will need small hand tools once they are homeowners. How is fair market value determined?

### **§ 3551.7 Construction requirements.**

(b)(1) See comments under 3551.51(c)(4) 50% labor tasks.

### **§ 3551.10 Definitions.**

*Equivalent unit(s).* There is no mention made regarding points for Determination of Eligibility and Loan Closing. Under current regulations, 20% of an EU recognizes the work expended to recruit and close families for the program. Either this was overlooked or there is a major change in policy in how EUs are calculated. We recommend that points be maintained for this effort.

The definition also states that EUs cannot be greater than completed homes. This does not take into consideration the occasional situation of a family dropping out of the program (which might be caused by medical reasons or death) and is not replaced in the group. When this happens, can EUs earned prior be claimed? With no option to modify the number of homes down, the grantee will be penalized and could not receive another grant. Additionally, if a grant amendment cannot reduce the number of homes and EU’s cannot be claimed for partial homes completed, then the grantee will not have an opportunity to implement sound management to impact the grant and achieve a successful grant and final evaluation.

*Family labor contribution.* The amount of labor a participating family provides for construction of homes within a group. We recommend that the definition stop after the word “group”. The last sentence is more appropriate as a definition for Sweat Equity.

*Members’ Agreement.* Stating that this is a Rural Development form contradicts 3551.55(d)(5). We do not recommend that one form be used for the entire country and every organization. Some flexibility is needed to meet special issues and areas. Rural Development reviews and approves each Membership Agreement with application approval.

*Multi-funded applicants.* We recommend for clarity “and/or other funding sources”

*Mutual self-help (MSH) method of construction.* Is it Mutual Self-Help or Mutual and Self Help? We prefer Mutual Self-Help.

*Reasonable costs.* We recommend that “reasonable for the program proposed” be added to the definition.

Is this definition intended to provide more clarity? We recommend that this definition be re-evaluated to determine if it accomplishes the intended goal.

*Substitute labor.* We recommend adding to the definition “who will sign the membership agreement along with the borrower and is accountable for meeting all or a portion of the participating family’s labor requirement.”

*Technical and management assistance provider.* We recommend that the title be Technical and Management Assistance Contractor or T & MA Contractor. We also recommend that prospective grantees be changed to prospective organizations to be consistent with contract terminology.

We recommended the following definitions be added:

Equity – Definition to include clarification regarding how equity is to be calculated for compliance with 3551. Is equity to be based on the first mortgage amount alone, or does it include all leveraged loans and grants that help with affordability? SHARES currently does not calculate other funds in the equity calculation and this regulation provides no clarity on the subject. The inclusion of leveraged funds will have an impact on the 10% equity requirement.

Sweat equity – Add definition

Volunteer Labor – A volunteer is an authorized person that works at the construction site sporadically, does not sign the membership agreement, whose hours are not counted towards the family labor hours, and whose hours must be approved by Construction Supervisor and by Rural Development prior to each occurrence.

## **Subpart B—Technical Assistance Grant Application and Approval**

### **§ 3551.51 Eligibility requirements.**

(a)(3)(v) We do not recommend a required board composition as described here. Having a minimum board of at least five members, in our opinion, has served the program well under the 1944-I regulations. While we appreciate the intent of the CHDO makeup, we believe it is unnecessary to dictate composition and may be hard to achieve in very rural areas.

(b)(3) Training appropriate key staff members of the organization is the responsibility of the T & MA Contractor. Securing a consultant locally or otherwise would add unnecessary overhead cost to the grant. T & MA Contractors are provided for this purpose. We have training modules developed, trained trainers, and knowledge of “best practices.” More appropriate wording would be “develop in conjunction with the T & MA Contractor a detailed training schedule for key staff members.”

Having experienced staff is a requirement for eligibility, for application submission and also as a condition of grant closing. NCALL supports the requirement of having trained staff as a condition of grant closing. The summary states that “this change will eliminate steps in monitoring the grantee and

taking any needed enforcement action after the grant is closed to ensure required staffing levels are reached.” Seldom is there an organization that does not experience some staff turnover. New Self-Help organizations experience more. We agree with the intent to ensure full staff training and experience prior to grant closing, we do not see how this change though will lessen the need for consistent staff training from individuals who know the ins and outs of the program and can impart the best practices.

(c)(1) We do not support that each group have no less than five families. Some organizations currently offering the self-help program have small programs providing 8 houses in a two year grant. Whether due to the area or the organization, they choose not to increase their production yet meet a real need in the community. Stipulating a minimum group of no less than five could result in a loss of some programs that are currently successfully producing and providing needed affordable housing in their area. We would support language that would allow for flexibility or remain at no less than 4.

(c)(2) We recommend clarifying this to be, “At least 40% of the participating families in the grant must be very low income.”

(c)(3) Is this 10% equity required at the time of completion based on the first mortgage as SHARES currently computes or will it also include funds leveraged to achieve affordability? Without this clarification it is impossible to determine the impact within NCALL’s region. Some grantees in this region are Habitat for Humanity organizations that do not use 502 funds or charge interest and by the very nature of their program do not allow participating families to achieve as much equity for their labor as normal self-help programs allow.

Additionally, how would an organization guarantee the 10% equity at completion? Some houses are in construction for more than a year, which makes appraisals more than a year old when houses are completed. Who would pay for the additional appraisal at the end of construction? The appraised value could change up or down in that period depending on the economy. Based on the information provided, we do not support placing a minimum percentage of equity on each house to be built under the Self-Help Program and do not support this being an eligibility requirement for participation in the program.

(c)(4) Without having a comprehensive list of required labor tasks to review, a meaningful comment is difficult. Any change in the percentage of work performed by the families, up or down, can have a huge impact on the program. Less work performed by the families and more contracted labor may affect affordability which impacts the efforts of the organization to offset affordability issues. These might include additional leveraging to reduce the mortgage payments, adjusting the construction method to lower costs, or impacting the length of time needed to find and qualify eligible families which in turn may require the grantee to lower the number of homes proposed. On the other hand, reduced labor tasks could reduce the amount of time needed to build the houses and require less construction staff, therefore lowering grant amounts.

(d) Does this implies to permit existing grantees to propose more than one grant and also prevent new grantees from competing with an existing grantee serving an area?

(g)(5) We have no issues with the requirements needed for a “production based” grantee being eligible for a new grant. We do recommend that clarity be provided regarding no more than 10% of the homes be incomplete. Is this 10% of EUs incomplete or 10% of actual homes incomplete?

If group sizes are no less than five, a grant would have to propose 50 houses or more to be eligible for this line of production. At the present time, NCALL's region does not have grants that approach that production level.

There is some concern that if production based grants are allowed to continue indefinitely, over the course of many grants, what guarantee is there that the organization has the financial capacity to complete the last houses if the grantee becomes high risk, does not score well and is not awarded a grant, or simply decides that they are not going to pursue another grant. We recommend wording be included to insure that funds are available or set aside to complete the homes.

**§ 3551.52 Authorized technical assistance grant uses.**

(a)(1) Employees are paid a salary. Consultants are paid a fee for services. We do not see any line item listed in the proposed 3551.52 that would authorize contracted services for such grant activity as ongoing accounting services, construction supervision, architectural, etc.

We recommend that the line item list of authorized uses from 1944-I be used and then expanded to cover items now deemed necessary for the program.

(6) We recommend that the word "fees" be changed to "costs".

(10) The costs listed here appear to be land development related. Is NCALL to assume that Rural Development is now allowing land development costs to be charged to the grant? This is contrary to what is written in 3551.204(b) for pre-development grants. This restriction however does not appear in 3551.53 for technical assistance grants. While NCALL believes that land development costs are an expense to the organization, we do not believe that these should be a 523 grant expense.

(11) We recommend more clarification regarding allowable legal fees.

(12) We agree that approval must be in writing but the statement "costs associated with execution of the program objectives" seems to be open for interpretation. We prefer the identification of items as listed in 1944-I.

**§ 3551.54 Technical assistance (TA) grant amounts.**

(b) Rural Development will limit TA cost to:

(1) While this is similar to the current approach used to limit TA costs, it works no better than the existing system. There are many flaws in the current system that have not been addressed here. In our opinion, effort has been made with the calculation for the self-help cost of construction to level the field between high cost areas and low cost areas. But even this calculation is rather cumbersome and we do not believe that this solution will achieve Rural Development's goal. The current problem is the use of "equivalent value of modest housing" is not being calculated equitably across our region. Some organizations are provided the area loan limit, while other organizations are given a much lower comparable value figure. Additionally, EVMH figures are sometimes a year old when the grant closes. Under these proposed regulations, this will not change. To compound this problem, a new secondary TA cost ceiling of the continually rising self-help cost of construction is being added. Most often the last home in a grant will cost more than the first house. When the ever rising self-help cost of construction is added to the TA cost, this then cannot exceed the stagnant EVMH. This could cause a grantee to be in non-compliance before the end of the grant.

Comments have been invited on the effectiveness of the calculation of grant ceilings. We recommend that the area loan limit be used instead of the EVMH. This limit, while perhaps higher than some imposed EVMH, is indicative of realistic costs across the country. The same methodology is used for calculation, and is approved by the national office for each county, and re-evaluated annually. Using the area loan limit would establish a consistent base. From that base, a to-be-determined percentage could be used to establish the maximum TA cost per home for the program.

(b)(2) We recommend that the State Director may consider approval of a TA cost that exceeds the yet to be determined percent, but is not greater than an additional 5% more, when it is determined that the area is difficult to serve and to allow for some flexibility for increased costs. It is important for small programs that want to be successful and that propose fewer homes because of the area and therefore are not reaching their economies of scale. If a realistic budget is based on reasonable costs, but the production does not cover operating costs, some flexibility is required.

### **§ 3551.55 Application submission and processing.**

#### *(a) Notification of funding.*

We agree with the comments from the National Rural Housing Coalition identifying the problems and issues of a NOFA process for the Self-Help Housing Program. There are additional reasons as to why it will negatively impact the program, but we won't cover them all here. We agree and support their recommendation of a NOFA process for pre-development grants, new grants, and any non-performing or high risk grantees up for refunding. Grantees performing with a satisfactory rating should be allowed to apply anytime. We see this benefiting the program by encouraging existing grantees to maintain programs that are on time and in budget. This proposal would require additional effort on the part of the national office of Rural Development to determine projections of funding needed. With the assistance of the State offices and the T & MA Contractors, quarterly updates could be provided to the national office.

We do believe that all applications should be complete and no requirements should be waived based on grantee status or longevity.

We support the same wording as indicated in the Pre-Development NOFA of “at least one NOFA ... each year” which provides the opportunity to have more than one round per year for new and high-risk grantees. Having more than one round per year would allow organizations more opportunity to fit their self-help program into a NOFA cycle regardless of their location and climate issues.

(4) We recommend that a 60 to 90 day notice be provided on NOFA Application deadlines.

#### *(b) Application requirements.*

(2) We recommend that an organization's demonstrated capacity be required for all application submissions. Again, there is seldom an organization that does not go through some staff turnover that could have a significant impact on their program.

(iv) We do not agree with recognizing a 501(c)(4) as an eligible entity for the MSH program. With limited funds NCALL questions the need to expand the pool of eligible entities to include 501(c)(4) organizations.

(v) We recommend “that Certification (no more than 90 days old)” be changed to “(no more than 12 months old).”

(vii) We recommend these changes, “dated and signed financial statement for the organization no more than 90 days old along with a dated and signed current audit.” We do not agree that the requirement of a “Commercial Credit Report” fulfills the ability to determine an organization’s financial capacity. An audit provides a more in-depth analysis of an agency’s overall financial management capacity.

(7) We recommend that this be clarified for the first group or for the plans proposed and to be offered during the grant period.

(9) We recommend that a Commercial Credit Report be required of all applications regardless of the applicant’s classification. Circumstances can change over the course of the year between the pre-development grant and final grant as well as during the time in which an existing grantee operates.

(10) The applicant must provide the following certifications:

(i) How does the “Compliance with civil rights statutes and regulations” required here differ from the condition of grant closing?

(11) Recommend that its “best estimate” of its indirect cost rate or a cost allocation plan be changed to “provisional rate.” We also recommend that, if the organization already has an approved rate and plan, this be demonstrated by the approved provisional rate agreement from the cognizant agency for the current year, along with the approved plan.

If the organization is applying to the cognizant agency for a provisional rate, please clarify where in the grant application process that rate or proposed cost allocation plan must be approved.

**(c) *Scoring and ranking:***

It is difficult to provide substantive comments on this section without additional information and clarity. Wording would imply that items relating to eligibility and application completeness would not factor into the scoring process. This is also supported by the application items that are waived for re-submission if the grantee received a satisfactory evaluation. Scoring and ranking will involve some degree of subjectivity. There is no clarification on this aspect.

There are three scoring criteria outside of the control of an applying organization in which the points received are based on location or circumstances. We recommend that these criteria, (1), (3), and (8), receive lower point values to eliminate the potential of a strong proposal ranking lower than a less desirable application simply because of receiving points due to location or circumstances.

We provide comments on the remaining five items:

(2) We do not believe this scoring criterion “providing an equal amount of technical assistance at a lesser cost per unit relative to other applications” is going to always provide the Rural Development with the best programs. NCALL is a strong supporter of reasonable budgets and operating expenses but we do not believe that comparing one agency’s TA cost to another is the best way to determine if a program is worthy of being funded. Grants within our region have some of the highest TA cost in the country in large part due to the size of the grant and the economic area in which they operate. Smaller successful programs that pay for adequate or experienced staff are frequently producing fewer houses than their economies of scale require. Within our region the average number of homes produced within a grant is 16. Grant sizes range from 7 to 36 houses. Smaller grants are a result of program and management decisions based on

limited land, higher cost areas, affordability and the ability to find and recruit a large number of families within the area. Why should successful programs providing needed affordable housing in their community not receive funding simply because their TA cost was higher than the next ranking application? We believe there must be another approach that is equitable to all programs nationwide.

(4) We wonder how a grant is to receive a final evaluation for the NOFA prior to completion of the grant.

(5) & (6) More information is needed. Will a single score be received because funds are leveraged or will the score be determined by the amount and/or complexity of the leveraging?

Leveraging overhead can be difficult in today's economic climate. Smaller organizations will be placed at a disadvantage in the NOFA process.

(7) We support this criterion and believe that family labor is the strength and the backbone of this program and the reason that it has garnered and retained support throughout its history.

(d) *Grant closing conditions.*

(5) We recommend that the word "develop" be changed to "adopt" a Members Agreement.

We also refer back to comments made under Definitions, Members Agreement where it states that this would be a Rural Development form.

(6) We support moving eligibility to a condition of closing but it does raise another question. Is there going to be a specified time from grant award to grant closing and if so how much time will the organization have to meet closing conditions? This might not present a problem for an operating grantee awarded a refunding grant, however history has shown that even successful existing grantees may need time to meet this requirement. Meeting this closing requirement will definitely be difficult for new grant applications, especially if they are not allowed to spend grant funds to obtain home financing for participating families as stated in 3551.204(a).

(8) Clarification is needed as to whether certifications are required for the first group of families or for all models that are to be offered during the grant period.

(12) How is this condition for closing different from the Certification of compliance with Civil Rights statues and Regulations required as part of the application in (b)(10)(i)?

Additional Comment: We recommend that the Intergovernmental Review Response be included as a grant closing condition.

(e) *Grant Closing.*

Please clarify if under a NOFA process the State Director and national office will still be approving grants as stated in this section.

Under a NOFA process, where timing is at the discretion and direction of Congress, we believe requiring a grant to be exactly 24 months does not allow organizations to develop and propose a program that fits their situation and meets their needs. Maybe a range identifying a minimum of 1 year and a maximum of 3 year grants would allow for that needed flexibility.

## **Subpart C—Technical Assistance Grantee Responsibilities**

### **§ 3551.101 Provision of technical assistance.**

(c) *Construction supervision.*

(7) This statement identifies that only one preconstruction meeting be conducted. We recommend that a minimum of more than one be required. Preconstruction meetings are instrumental in reducing group conflicts and best practices occur within our region when organizations place value on these meetings and conduct several.

We recommend that the title “contractors” be changed to “sub-contractors” since the families are their own general contractors who sub-contract out specific work.

We suggest that the following wording change to achieve the desired results. “Conduct a number of preconstruction meetings that includes the grantee’s construction supervisor and family participants, one or two of which will to include major subcontractors.”

(d)(2) We recommend that “contractor” be changed to “subcontractor” to be consistent with wording in (c)(9). Again the families are their own general contractor.

### **§ 3551.102 Request for payment.**

(c) We recommend that the “10<sup>th</sup> of the month” be changed to the “15<sup>th</sup> or 20<sup>th</sup> of the month. Larger organizations and those who have their accounting and bill paying activity in a home office location may have difficulty meeting the 10<sup>th</sup> as a requirement.

In addition, the last sentence “Progress will be based on equivalent units as outlined in the grant agreement” appears to be conditioning release of funds to EU production. While this may be required criteria for a workout agreement or high risk, we do not recommend conditioning release of funds to the EU production throughout the grant cycle. Sufficient monthly oversight as stipulated in these proposed regulations should allow for adequate monitoring of expenditures to EUs.

### **§ 3551.103 Audit requirements.**

(a) We recommend that “90 days” be changed to “120 days”. It is difficult to close out a fiscal year, do audit field work, have an exit interview, and yield a final report in 90 days.

(b) We recommend that an audit of a determined percentage of the 502 loan accounts be conducted annually for all grantees. This should not be optional.

(c)(3) Through this regulation, Rural Development can impose more stringent requirements than those required by the Office of Management and Budget. We recommend that any grantee who received 523 grant funds of \$100,000 or more per year be required to provide an annual audit to Rural Development.

(d) Auditors are hired by an organization’s Board of Directors to conduct an audit in accordance with the appropriate auditing standards. The auditors are to report back to the Board of Directors their audit results and findings. The auditor is not responsible for notifying Rural Development of any fraud, abuse or illegal acts of the grantee.

## **Subpart D—Technical Assistance Grant Servicing**

### **§ 3551.151 Grant agreement amendment.**

(a) & (b)(2) We believe that not allowing a grantee to reduce the number of homes proposed, when needed, will have a negative impact on the program. Through a grant amendment, grantees should be allowed to reduce the number of homes and the grant amount accordingly so that they can achieve and maintain the proposed TA cost per home. This allows grantees to implement sound business decisions and practices in the oversight of the program. The Self-Help Program is based on time, home production and operating funds. To prevent grantees from making adjustments and modifications in any of these areas in order to meet the overall goals of the program could negatively impact the program and place an undue burden on the organizations. When amending a grant, all aspects of the grant amount, grant period, and number of houses should be up for negotiation.

In addition (b)(2) “the request must be within the original budget for the Grant Agreement” implies that additional grant funds could not be awarded if requested. If this interpretation is accurate, it seems to contradict (b)(4) below which indicates “Adequate funds are available, if requested”. More clarity is needed to both this section and (b)(4) below.

(b)(4) As noted above, without clarity this seems to contradict with (b)(2).

### **§ 3551.152 Grantee monitoring.**

(b)(2) We recommend that the title “contractor” be changed to “sub-contractor” since the families are their own general contractors who sub-contract out specific work. In addition it is not practical to have subcontractors be on site to perform a simultaneous final inspection with all other parties identified. A sub-contractor’s final walk through and sign off can occur when their work is completed.

#### *(c) Final grantee evaluation.*

Here three areas are identified: 1) meeting the commitments of the grant application; 2) meeting the performance goals in the grant agreement; 3) complied with program requirements. We are concerned that in the summary section more rigidly defined criteria are implied. It states that “the grantee’s commitment would include, but not limited to:

- The number of homes to be complete and/or incomplete at the end of the grant cycle,
- the average per unit cost of technical assistance, and
- the completion date of the project.

At the end of the grant period, the Agency will evaluate grantees to see if they have attained these goals. Grantees who receive an unsatisfactory rating on their performance evaluation are ineligible for subsequent grants as outlined in the eligibility requirements.”

We very much support successful self-help programs. We also agree that accountability is an important part of overall management; however, we understand that this program has many hurdles that are not always within the ability of an organization to overcome regardless of the best management practices. We are unable to fully comment without clarification on what is the standard for satisfactory rating. 1944-I is clear on the 5 criteria and how many must be met to have a satisfactory rating. As a T & MA Contractor we always consider the impact of these 5 criteria when discussing any modification plan or request with a grantee or Rural Development.

The impact of #2 above is discussed in more detail under 3551.151 Grant Agreement Amendment.

(c)(2) We recommend that wording be changed to include “any amendments to the agreement”.

**§ 3551.153 Grantee performance.**

(a) We recommend that the word “agent” be changed to T & MA Contractor to be consistent with terminology throughout regulations.

(b) We recommend any workout agreement be developed in partnership with the grantee, Rural Development and the T & MA Contractor.

(c) We recommend that an additional option be added to include an “extension” of the high risk designation for those occasions when a workout plan has a high likelihood to be achieved but needs more time. We recommend that a maximum extension period be identified not to exceed 6 months be added.

**§ 3551.155 Grant close out.**

We recommend that “90 days” be extended to “120 days” to enable the grantee to perform close out procedures following Grant Agreement expiration or termination date.

(c) We recommend that the word “supplies” be removed and a minimum dollar value for equipment by Rural Development or defer to the organization’s policy threshold for expendable and non-expendable equipment. Supplies could be interpreted to mean drill bits.

(e) We recommend that some ability to extend or “suspend” grant closeout beyond the above recommended 120 days be permitted to allow for any final construction work or take into account delays that would not allow for landscaping activities to be completed during winter/early spring months.

**Subpart E—Predevelopment Grants**

**§ 3551.201 General.**

As noted under the objective statement, “to enable applicants to obtain the technical and financial assistance necessary to complete a technical assistance grant application under this part,” this appears to contradict the unauthorized expense of “Payment of any expenses incurred towards completing a technical assistance grant activity, such as obtaining home financing for participating families” in 3551.204(a). While the first group of eligible families are not needed for the application submission, activity to recruit, identify and begin initial application processing is needed and should be an eligible expense.

We support the continuation of Pre-Development Grants. We believe these grants are necessary for the continued health of the self-help program.

**§ 3551.203 Authorized predevelopment grant uses.**

(e) We recommend more examples and clarity be given to provide guidance and parameters to what is meant by “other activities necessary to complete a technical assistance grant application under this part”.

**§ 3551.204 Unauthorized predevelopment grant uses.**

(a) The wording “Payment of any expenses incurred towards completing a technical assistance grant activity, such as obtaining home financing for participating families” is unclear and appears to contradict 3551.201 Authorized Predevelopment uses which states “predevelopment grants are to enable applicants

to obtain the technical and financial assistance necessary to complete a technical assistance grant application under this part.” Unauthorized predevelopment grant uses as written implies that predevelopment grantees are not permitted to use these funds to recruit families and prepare loan applications for eligibility.

**§ 3551.205 Application submission and processing.**

(a) *Notification of funding.* We support the wording of “at least one NOFA ... each year” which indicates there may be more than one round per year.

(a)(3) We recommend that a 60 to 90 day notice be provided on NOFA Application deadlines.

(b) *Application requirements.*

(b)(3)(iv) Please see our comments above regarding adding 501(c)(4) organizations as an eligible entity.

(b)(3)(v) As noted under 3551.55 (b)(3)(v), we recommend “that Certification (no more than 90 days old)” be changed to “(no more than 12 months old)”.

(b)(3)(vii) We recommend these changes “a dated and signed financial statement for the organization no more than 90 days old along with a dated and signed current audit.” We do not agree that the requirement of a “Commercial Credit Report” fulfills the ability to determine an organization’s financial capacity. An audit provides a more in-depth analysis of agency’s overall financial management capacity.

**§ 3551.207 Predevelopment grant close out.**

(b) Recommend that the “30 day” close out is changed to 90 days to allow for adequate time to complete all transactions and appropriately account for closeout.